

TO: N. Brennan
FROM: A. Goldfarb
SUBJECT: Merit 5 Pack Test

DATE: September 13, 1985

The markets listed below indicate recommended test markets for the proposed Merit 5 Pack test. Coincidentally, these are the same markets that were selected for the Marlboro 5 Pack Test.

Selections

- Portland, Me.
- Knoxville

These selections would provide you with the following:

- One market with strong Merit and price/value category development (SDI: 130+).
- One market with below average Merit development (SDI: <80) but high share development of the price/value category (SDI: 130+).

As discussed both markets have an above average percent of volume within the Convenience/Grocery trade classes and are therefore skewed toward lower volume outlets. In addition, Plan B merchandising has at least average penetration.

These market selections are in line with the criteria discussed and previously established for the Marlboro 5 Pack Test. Due to the fact that the two packings scheduled for this test (Kings and 100's) only have a national share of 2.4, consideration of this project need be viewed against the retail trade's willingness to establish another pricing tier for these brands. Potentially, acceptance of this packaging proposal might be tied to Merit's current share strength. In essence, we are attempting to penetrate a trade class reliant on high margins with a proposal to reduce margins with no advantage to themselves.

In addition, the program design appears to be geared toward pack outlets and the hopes of recapturing share lost to Generics. Generic sales have historically skewed toward the carton universe. Therefore penetrating the Supermarket trade class is essential. In addition, achieving "5 Pack" distribution in chain supermarkets may be very difficult based on the average number of packings carried.

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In light of these considerations, we would like to further assess whether this concept should not be subjected to other research vehicles before it is test marketed.

Should you have any questions please contact me.



AG/sl

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DEMOGRAPHIC/RETAIL PROFILES

	<u>Portland, Me</u>	<u>Knoxville</u>
% U.S. Population	0.6	0.6
<u>SDI's:</u>		
Merit King	131	80
Merit 100's	137	81
Total Merit	135	75
Total Generic	137	147
Total Century	199	259
Philip Morris	103	83
% Black	0	4
% Hispanic	1	1
Age Index:		
18-29	99	98
30-39	98	107
40+	101	101
Income Index	90	79
# Stores	2193	1657
% Chain	21	41
% Independent	79	59
Volume Index:		
0-199	152	138
200-299	98	157
300-499	98	103
500-999	58	60
1000+	65	13
% of Volume (Conv., Conv/Gas, Grocery) Index	57 154	53 143
Plan A Penetration Index	73	87
Plan A Coverage Index	90	87
Plan B Penetration Index	105	111

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